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## SERVICES, SUPPLIES AND TRANSPORT IN THE CONCEPT OF OUTSOURCING OF A METALLURGICAL ENTERPRISE

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The paper discusses the methodology of outsourcing as a modern method to help the management process through the shaping of the structures of business activity. The use of this concept is associated with a new approach to the function of supplies and transport, as well as service activity conducted in an enterprise. Outsourcing procedures used in the Polish metallurgical industry bring about substantial effects and benefits related to the restructuring process.

**Key words:** *organizational structure, services, supplies, transport, restructuring*

**Usluge, dostava i prijevoz u okviru ideje o rasterećivanju metalurškog poduzeća.** U radu se raspravlja metodologija rasterećivanja kao moderna metoda koja pomaže u procesu rasterećivanja oblikovanjem ustroja poslovne aktivnosti. Uporaba ovog koncepta povezana je s novim pristupom funkciji dostave i prijevoza, kao i uslužnim aktivnostima koje se provode u nekom poduzeću. Postupci rasterećivanja koji se primjenjuju u poljskoj metalurškoj industriji daju suštinske efekte i prednosti koje se odnose na procese restrukturiranja.

**Ključne riječi:** *organizacijski ustroj, usluge, snabdijevanje, prijevoz, restrukturiranje*

### INTRODUCTION

Structural solutions in many Polish enterprises are not adjusted to the activity conducted in the conditions of a market economy. They are too complicated and cumbersome and, in addition, have too many hierarchy levels. This creates a need for the improvement of the existing structural solutions of enterprises.

The improvement of an enterprise's structural solution is the conscious transformation of the existing organizational structure based on the results of diagnostic studies with the purpose of better adjusting it to the new conditions of the enterprise's functioning and enhancing its performance. Adjusting the organizational solutions of enterprises to functioning in the conditions of faster and changeability of the environment and increased competitiveness requires, above all [1]:

- modification of the framework organizational structure by broader consideration of the character and degree of diversification,

- simplification of the process of management and specialization system by creating strategic business units,
- decentralization of responsibility for profit and replacing the usually applied functional structures with divisional structures, where units are separated in line with their activities, product or customer,
- distinct separation of basic, auxiliary and nonproductive activities, and
- modern shaping of internal connections and orientation toward the customer.

The diagnosis of the organization of enterprises and organizational units created and functioning within them and their assigned tasks leads to pointing out the fact that:

- the potential of a particular unit is not completely used for the needs of an enterprise, and offered products and services cannot find external purchasers,
- some functions can be performed much more cheaply by external units, and their performance will not affect the effectiveness and quality of basic tasks carried out, and
- some functions and their related potential are not applied when carrying out the enterprise's basic objectives.

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## SHAPING THE STRUCTURES OF BUSINESS ACTIVITY

The structure of business activity should form an optimal configuration of organizational and capital structures in the sense that it assures the minimization of business activity costs and their dependent structural forms and the maximization of activity efficiency, or the maximum reduction of disadvantages and use of advantages of particular structures [2].

The shaping of the optimal structure of business activity is accomplished by various undertakings. Such an undertaking includes arranging the arranging of business activities within its particular types, i.e. the organizational structure, the capital structure and the contractual structure. Arranging the organizational structure of business activity is referred to as organizational restructuring.

Arranging the capital structure is referred to as capital restructuring. Also the contractual structures of business activity should be subjected to analysis and arrangement. This activity is called contractual restructuring.

In addition to the internal restructuring activities undertaken within particular types of structure, the following activities are essential:

- transition from the organizational structure to the capital structure and vice versa,
- transition from the organizational structure to the contractual structure and vice versa,
- transition from the capital structure to the contractual structure and vice versa, and
- inclusion of new entities to the business activity structure and exclusion of some entities from the business activity structure.

Changes of the organizational structure into the capital structure, and vice versa, are accomplished by capital outsourcing and capital insourcing.

*Capital outsourcing* (spin-off) is a restructuring undertaking that involves the separation of part of the parent enterprise's business activity together with the team of workers and material potential from its organizational structure and the establishment of a company dependent on the parent company (a so called daughter company) on this basis.

*Capital insourcing*, on the other hand, involves the inclusion of part of business activity conducted by the daughter company together with its workers and material potential to the organizational structure of the parent enterprise.

Changes between the organizational structure and contractual structure of business activity are made through contractual outsourcing and insourcing, takeovers, mergers, etc.

*Contractual outsourcing* is the separation of part of the business activity of the parent enterprise from its organizational structure and transferring it to an independent business entity is carried out under an appropriate contract. The team of workers and material potential of the parent enterprise, which are associated with the conducting of the separated part of business activity, undergo liquidation.

*Contractual insourcing*, is a restructuring undertaking that involves the inclusion of a business activity conducted so far by an independent business entity under a contract to the organizational structure of the parent enterprise. This inclusion requires the creation a team of workers and material potential within the parent enterprise's structure, which are necessary for conducting the included business activity.

## NEW APPROACH TO THE SUPPLY, TRANSPORT AND SERVICE FUNCTIONS

Using the outsourcing concept is associated with taking a new approach to the supply and transport functions, as well as the service activity conducted at the enterprise (Table 1.). The new formulation of these functions assumes, above all, focusing on the key areas of the company's functioning. These activities are subject to the company's strategy.

Table 1. **Traditional and contemporary formulation of the transport function**  
Tablica 1. **Tradicionalno i suvremeno oblikovanje transportnih funkcija**

Traditional purchases	The new supply strategy
- a broad know - how process	- focus on key areas
- the purchase and transport of single lots	- comprehensive purchases and transport
- the company's own development	- fast and easy change of a supplier
- fixed prices	- possibility of selection of partners
- local purchases	- clearly defined cost
- many supply sources	- the determination of optimal delivery lots
- an isolated purchasing function	

The new supply and transport situation is influenced, among other things, by the following development trends observed currently:

- the "type range" of supply and transport is changing; assembled components are now delivered, instead of single parts;
- the delivery of parts and means is accompanied by relevant services, such as those of machinery and equipment maintenance;
- the tactics of work is changing; instead of focusing on a problem, emphasis is placed on its solution.

The organizational restructuring of the Polish metallurgical industry has involved, among other things, the use of capital separations. Part of the assets unnecessary for the ironworks and necessary for the companies has been brought in to the latter. The remaining part of the assets, on the other hand, has been either liquidated or sold. Transferring the workers to the separated business units has allowed to avoid group redundancies.

In the initial period, the separated companies were covered by various protective packages, which did not create opportunities for a fundamental reduction of ironworks operation costs.

At present, the cooperation of ironworks with separated service companies has to be carried out under the market rules, in open competition with other enterprises, with by selection of a contractor. The strategy of cooperation of parent enterprises with newly established business units must take account of the availability of services and transport in the immediate vicinity of the operations; also, it may not reduce the synergy effects [3].

## SUMMARY

A main feature of outsourcing is a possibility of focusing the operation of an organization on the basic goals of its activity. Separating time-consuming activities, which are little important from the point of view of the organization's mission, contributes to an increase in the efficiency of the manufacturing process. Also Polish metallurgical companies, in their restructuring process, are striving for simpler and more transparent organizational structures and the determination of cost and profit centers.

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